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Canada Bread Company, Limited



ANNUAL REPORT FOR THE FISCAL YEAR ENDED JULY 1, 1967



Canada Bread Company, Limited



DIRECTORS

HARRY N. BAWDEN NORMAN T. CURRIE J. D. LEITCH
G. M. MacLACHLAN W. T. MURCHIE R. K. PORTER C. E. SOWARD

CORPORATE MANAGEMENT

NORMAN T. CURRIE, President and General Manager
R. H. BONUS, Vice-President
L. V. FAYLE, Vice-President—Marketing
F. BOGDEN, Vice-President—Sales
L. D. IRWIN, Secretary-Treasurer

A. ALLIBONE, Manager, Engineering Services
G. H. BENNETT, Manager, Distribution
G. F. DEMPSEY, Manager, Data Processing
W. A. EASTON, Controller
A. K. MAHON, Manager, National Accounts
W. J. LEWICKI, Manager, Production
J. E. MARROTT, Director, Group Sales
F. PAMENTER, Executive Assistant
L. S. WHITE, Ph.D., Director of Product Development

AREA MANAGERS

L. S. DAVIES, Toronto K. L. DIEWOLD, Sudbury
D. G. HICKINGBOTTOM, London C. E. SCOTT, Windsor A. McDOUGALL, Montreal
G. L. PROWSE, Ottawa

AUDITORS

CLARKSON, GORDON & CO., Toronto

REGISTRARS AND TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY, Toronto, Montreal

MONTREAL TRUST COMPANY, Winnipeg

BOND TRUSTEE

EASTERN & CHARTERED TRUST COMPANY, Toronto

DIRECTORS' ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JULY 1, 1967.

TO OUR SHAREHOLDERS:

During the fiscal year which ended July 1, 1967, the Company's profits were affected by two unfavourable factors: one of these was wage costs, which were substantially increased, and the other was lower net selling prices, which were necessary to meet competitors' action.

On the other hand, the Company's sales continued to increase throughout the year. In addition, capital expenditures and continued improvements in several areas of operations, resulted in further increases in operating efficiency.

However, these positive developments were not substantial enough in their effects on profits to offset the higher wage costs and the lower net

selling prices. Consequently, net profit after tax for the fifty-three week period ended July 1, 1967 at \$512,829, or \$1.46 per common share declined from \$674,271, or \$2.01 per common share for the fifty-two weeks ended June 25, 1966.

Net sales for the fifty-three weeks of the fiscal year under review, amounted to \$39,328,569. Adjusting this to a fifty-two week basis, our net sales were \$38,586,521 compared to \$37,541,490 for the previous year, representing an increase of 2.8%.

Capital expenditures for bakery equipment, buildings and land—which were necessary to maintain a high level of production efficiency—increased during the year. These outlays amounted to \$1,047,995 compared to \$666,483 for 1966 and \$676,994 for 1965. A major part of the increase was for the installation of an additional production line in our Toronto variety bakery products plant. This investment was required to provide



sufficient production capacity for the next five years.

The higher capital expenditures during the year were reflected in a decrease in our working capital which stood at \$461,076 on July 1, 1967 compared to \$911,457 for the previous year.

The retirement of the Company's 4¼% sinking fund bonds, due October 1, 1967 will be financed by the proceeds of a \$1,000,000, 7% bank loan which is repayable in equal annual instalments over the next five years. The Company's long term debt has been reduced by \$1,973,497 during the past ten years and now stands at \$1,200,000.


We have continued to diversify and expand our product line and in doing so, have concentrated our efforts on those products which our market analyses indicate have the strongest growth potential and improved profit margins. During the year, we directed our efforts in this respect mainly

to the production and marketing of an outstanding quality line of snack cakes.

Also, as part of our efforts to broaden our marketing base, we will be launching, this fall, an exciting new line of cheese flavoured corn snacks—another product with important growth potential.

Finally, it should be noted that your Directors' optimism about the coming years—particularly in the areas of new marketing opportunities and improved operating efficiency—is based on the performance of a strong Management group and the exceptionally fine attitude and diligent work which characterize your Company's Employees and Dealers.

For the Board of Directors,



PRESIDENT

CONSOLIDATED BALANCE SHEET / CANADA BREAD COMPANY

JULY 1, 1967

(with comparative figures at June 25, 1966)

ASSETS

	1967	1966
Current:		
Cash - - - - -	\$ 1,155,921	\$ 893,822
Accounts receivable - - - - -	2,498,103	2,206,557
Inventories of ingredients, finished products and supplies, valued at the lower of cost and market - - - - -	1,177,646	1,080,792
Prepaid expenses - - - - -	300,471	173,904
Total current assets - - - - -	5,132,141	4,355,075
Investment in McGavin ToastMaster Limited (at cost):		
402,500 fully paid non-assessable non-voting Class A common shares without par value - - - - -	402,500	402,500
Mortgages and sundry assets - - - - -	71,735	80,940
Fixed:		
Land—cost - - - - -	408,438	381,986
Buildings—cost - - - - -	3,638,427	3,658,065
Bakery and other equipment—cost - - - - -	12,155,518	10,951,734
	16,202,383	14,991,785
Less accumulated depreciation - - - - -	8,663,554	8,032,928
	7,538,829	6,958,857

On behalf of the Board:

NORMAN T. CURRIE, *Director*

C. E. SOWARD, *Director*

\$13,145,205

\$11,797,372

(See accompanying notes to

To the Shareholders of Canada Bread Company, Limited:

We have examined the consolidated balance sheet of Canada Bread Company, Limited and its subsidiary companies as at July ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records

In our opinion the aforementioned consolidated financial statements present fairly the financial position of the companies as a date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada,
August 16, 1967.

AUDITOR



LIMITED (INCORPORATED UNDER THE LAWS OF ONTARIO) AND ITS SUBSIDIARY COMPANIES

LIABILITIES

	<u>1967</u>	<u>1966</u>
Current:		
Bank loans and overdrafts (partly secured) - - - - -	\$ 630,025	\$ 985,897
Accounts payable and accrued liabilities - - - - -	2,006,978	1,446,332
Payable to affiliated company - - - - -	731,061	618,472
Estimated income taxes payable - - - - -	83,501	161,995
Dividends payable - - - - -		77,422
Funded debt due within one year (note 1) - - - - -	1,219,500	153,500
Total current liabilities - - - - -	4,671,065	3,443,618
Deferred liabilities (note 2) - - - - -	1,200,000	344,589
Funded debt - - - - -		1,237,500
Deferred income taxes - - - - -	1,460,000	1,212,000
Minority interest in subsidiary companies - - - - -		13,704
Shareholders' equity:		
Capital (note 3)—		
Authorized:		
50,000 preference shares with a par value of \$49 each, issuable in series		
1,000,000 common shares of no par value		
Issued:		
25,000 \$2.75 cumulative preference shares, Series A, redeemable at \$52.75 per share - -	1,225,000	1,225,000
305,075 common shares - - - - -	78,390	56,660
	1,303,390	1,281,660
Earned surplus - - - - -	4,510,750	4,264,301
	5,814,140	5,545,961
	<u>\$13,145,205</u>	<u>\$11,797,372</u>

(Consolidated financial statements)

REPORT

1967 and the statements of consolidated profit and loss, earned surplus and source and application of funds for the fifty-three week period ending on December 31, 1967, the results of their operations and the sources and applications of their funds for the fifty-three week period ended on that date.

CLARKSON, GORDON & CO.
Chartered Accountants

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FIFTY-THREE WEEK PERIOD ENDED JULY 1, 1967

(with comparative figures for the fifty-two week period ended June 25, 1966)

	1967	1966
Sales - - - - -	\$39,328,569	\$37,541,490
Cost of sales, selling and administrative expenses exclusive of the items listed below - - - - -	36,853,100	34,910,892
Depreciation - - - - -	815,853	758,698
Contribution to employees' pension plans - - - - -	215,564	137,293
Interest on funded debt - - - - -	57,176	69,045
Interest on bank loans and deferred liabilities - - - - -	72,786	67,343
Remuneration of directors and senior officers - - - - -	117,450	107,436
Profit on purchase of sinking fund bonds - - - - -	(2,689)	(3,488)
	<u>38,129,240</u>	<u>36,047,219</u>
Profit for period before income taxes - - - - -	1,199,329	1,494,271
Income taxes (including deferred income taxes of \$248,000 in 1967 and \$264,000 in 1966) - - - - -	686,500	820,000
Net profit for period - - - - -	<u>\$ 512,829</u>	<u>\$ 674,271</u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS

FIFTY-THREE WEEK PERIOD ENDED JULY 1, 1967

(with comparative figures for the fifty-two week period ended June 25, 1966)

	1967	1966
Balance, beginning of period - - - - -	\$ 4,264,301	\$ 3,779,212
Add net profit for period - - - - -	512,829	674,271
	<u>4,777,130</u>	<u>4,453,483</u>
Deduct:		
Dividends—		
On \$2.75 Series A preference shares - - - - -	68,750	68,750
On common shares (1967—45¢ per share; 1966—40¢ per share) - - - - -	136,580	120,432
Loss on disposal of properties - - - - -	61,050	
	<u>266,380</u>	<u>189,182</u>
Balance, end of period - - - - -	<u>\$ 4,510,750</u>	<u>\$ 4,264,301</u>

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES



STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FIFTY-THREE WEEK PERIOD ENDED JULY 1, 1967

(with comparative figures for the fifty-two week period ended June 25, 1966)

	1967	1966
Funds provided:		
Net profit for period - - - - -	\$ 512,829	\$ 674,271
Depreciation charged to operations - - - - -	815,853	758,698
Deferred income taxes - - - - -	248,000	264,000
Book value of fixed asset disposals - - - - -	153,200	42,973
Increase in deferred liabilities - - - - -	855,411	
Issue of share capital - - - - -	21,730	3,985
Decrease in mortgages and sundry assets - - - - -	9,205	27,128
	<u>2,616,228</u>	<u>1,771,055</u>
Funds expended:		
Fixed asset expenditures—		
Land, buildings and bakery equipment - - - - -	1,047,995	666,483
Distribution equipment - - - - -	501,030	268,414
Reduction of funded debt not due within one year - - - - -	1,237,500	190,000
Reduction in deferred liabilities - - - - -		282,411
Reduction in minority interest - - - - -	13,704	66,584
Dividends to shareholders - - - - -	205,330	189,182
Loss on disposal of properties - - - - -	61,050	
	<u>3,066,609</u>	<u>1,663,074</u>
Increase (decrease) in working capital - - - - -	\$ (450,381)	\$ 107,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JULY 1, 1967

1. Funded debt due within one year:

First mortgage bonds—

Authorized:

\$5,000,000 less \$2,138,000 redeemed and cancelled - - - - - \$2,862,000

Outstanding—Series A:

4¼% sinking fund bonds due October 1, 1967 - - - - - \$1,112,000

Series A 6% debentures of subsidiary company due January 2, 1968 - - - - - 107,500

\$1,219,500

2. Deferred liabilities:

7% bank loans payable July 15, 1968 to 1972 - - - - - \$1,200,000

3. During the year options for the purchase of common shares, granted in previous years, were exercised for 3,905 common shares (3,415 shares at \$5.00 and 490 shares at \$9.50). At July 1, 1967 common share purchase options were outstanding for 1,545 shares at \$5.00 each, 6,540 shares at \$9.50 each and 1,400 shares at \$13.00 each, the latter option having been granted during the year.

These options which expire ten years after the granting thereof are exercisable each year to the extent of 10% of the total number of shares covered by the option and contain provisions for termination on cessation of employment.

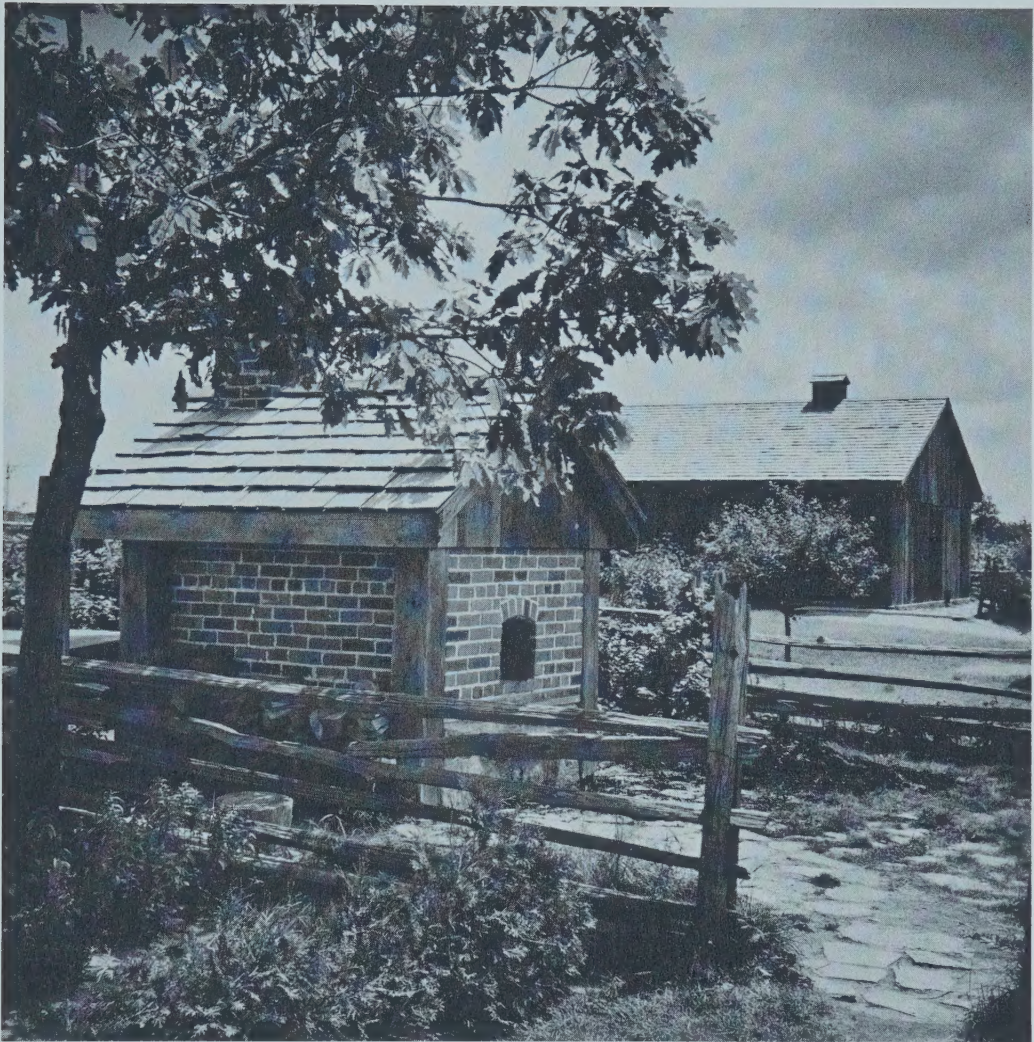
4. The companies lease certain properties for annual rentals aggregating \$102,000 under long-term leases extending to various dates from 1976 to 1986.

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

FIVE YEAR COMPARISON

	1967	1966	1965	1964	1963
Operating Profit					
before the following - - - -	\$2,360,708	\$2,526,650	\$2,494,104	\$2,141,233	\$1,596,002
Depreciation - - - - -	815,853	758,698	748,266	733,589	728,324
Contribution to employees' pension plans - - - - -	215,564	137,293	62,906	107,510	74,962
Interest on bank loans and long-term debt - - - - -	129,962	136,388	147,491	164,528	150,580
Income taxes - - - - -	686,500	820,000	880,000	607,000	387,500
Net Profit - - - - -	512,829	674,271	655,441	528,606	254,636
Number of Common Shares Outstanding - - -	305,075	301,170	300,535	300,000	300,000
Earnings per Common Share -	1.46	2.01	1.95	1.53	.62
Dividends declared per Common Share - - - -	.45	.40	.40	.25	.10



This bake oven, in use at the Black Creek Pioneer Village on the outskirts of Toronto, was erected by The Canada Bread Company, Limited as a Centennial Project. As a replica of ovens used a century ago, it stands as a reminder of the importance of bread products in our country's growth.

